Contents:

Page

ADJUSTMENT OF U.S. EXTERNAL IMBALANCES 7

EVOLUTION OF EXTERNAL DEFICITS 8

The Export-Import Gap 9

The Output-Spending Gap 12

The Saving-Investment Gap 19

The International Dimension 21

FINANCIAL CONSEQUENCES OF EXTERNAL DEFICITS 24

RECENT PROGRESS AND THE NEED FOR FURTHER ADJUSTMENT 30

The Current Situation 30

The Need for Adjustment 32

POLICY OPTIONS FOR EXTERNAL ADJUSTMENT 38

Necessary Conditions 41

Looking to the Future: The Policy Mix Question 44

Facilitating the Adjustment Process 47

A SUMMARY VIEW OF THE ADJUSTMENT PROBLEM 47

Financial Statements 49

Changes in Directors and Senior Officers 52

List of Directors and Officers 54